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THE ANHEUSER- BUSCH STORY



By AUGUST A. BUSCH, JR.
Chairman of the Board and President
ANHEUSER-BUSCH, INC.

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INVESTMENT ANALYSTS
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When Mr. Gilsey first invited me, I started to think about what I might say to you. Of course, I had a pretty fair notion that you would want to know something about Anheuser-Busch.

Facts, figures, charts and pictures are all important. They are especially significant to those who are engaged in analyzing securities and investments.

Certainly they help you make judgment decisions on where a company has been . . . and possibly where it is going.

Figures Alone Don't Tell Whole Story

I intend to give you some facts and figures. We have made available to you a considerable amount of information about Anheuser-Busch. But figures alone don't always tell the entire story.

I believe the philosophy by which management operates a company is also an important factor—although it is much more intangible.

I intend to tell you a little bit about Anheuser-Busch . . . and its philosophy.

I also want to show you a short film which may give you an even better notion of what our company is doing in implementing its philosophy of "*Making Friends Is Our Business.*"

Business Should Not be Defensive

A long time ago, Anheuser-Busch discarded the notion that we should be defensive . . . particularly about the constructive things the company does to improve its business and its reputation.

It is our belief that if we do something in the public interest . . . which at the same time is profitable to the company . . . then this is, indeed, *very good business!*

At Anheuser-Busch, we start with the premise that it is a must for us to use only the finest and best ingredients possible to obtain. Our extensive research and quality control laboratories and methods guarantee this.

Secondly, we want to have the best mechanical equipment and the best facilities to be found anywhere. That's why we are completing a plant expansion program in St. Louis exceeding \$23 million dollars.

That's why, in the past few years, we have expanded and improved every one of our breweries. At Newark, New Jersey—at Tampa, Florida—at Los Angeles, California—we have enlarged and modernized our facilities, even though these are relatively new plants. We never stand still!

At Houston, Texas, we have purchased some 55 acres of land—and we are having plans and specifications drawn for a future brewery to produce in excess of a million barrels of beer annually.

Baseball

In 1953, when it appeared that no one was seriously considering the purchase of the St. Louis Cardinals to keep them in St. Louis, we bought the baseball team. We have operated the club since that time.

Baseball is most certainly “the great American game” There is a great deal of interest in what happens in the day-to-day operations of the club.

The most frequently asked question . . . sometimes I think even more so than some of the great national and international questions of the day . . . is “will Stan Musial play next year?” . . . or, “where will the Cardinals finish in 1963?”

I might as well give you the answers now.

Stan Musial has said he will play in 1963 . . . and I am not enough of a prophet to forecast where the Cardinals will finish in late September.

We have gone through a number of phases in our operation of the St. Louis Cardinals. Last year, despite a rather poor season on the field, our attendance was up over the previous year and almost a million fans paid to see the team perform.

We will continue to adopt every method available to us to keep improving the team. Our baseball operation has been, to put it mildly, a very exciting experience.

Where We Are Going- Some Facts and Figures

With reference to where our company has been, and where we are going, let me give you a few figures that tell something of the story.

Final and complete figures on our full year profits

and earnings will not be available for several months yet, but preliminary information indicates that we will have the largest sales and earnings in our history—and will probably earn \$3.40 per share for '62 as compared with 1961 earnings of \$3.08.

Here's how the brewing industry stands:—

In 1956, the entire brewing industry in the United States sold a total of 85,578,000 barrels of beer.

In 1962, this volume was increased by 6,232,000 (estimated), when the industry sold 91,810,000 (estimated) barrels of beer.

This is an increase of better than 7 per cent for the 6-year period.

Now, how did Anheuser-Busch fit into this picture?

In 1956, our company sold 5,864,000 barrels of beer.

By 1962, our volume had increased to 9,015,000 (estimated) barrels of beer . . . up 3,151,000 barrels over the 1956 sales figure.

Our percentage of increase in this period was in excess of 53 per cent!

Now, let me relate our Anheuser-Busch figures to the entire brewing industry.

Here's the way it shapes up.

Of the 6,232,000 barrel increase in the brewing industry sales in the 6-year period—1956 to 1962—*Anheuser-Busch is responsible for better than 50 per cent of the total barrelage increase of the entire industry!* That figure was of more than passing interest, even to us.

In 1956, Anheuser-Busch's share of the total industry volume was 6.85 per cent.

In 1962, our share of the industry volume will be approximately 9.8 per cent.

The company's Yeast and Corn Products operations during this same six year period enjoyed a rate of growth in sales and earnings comparable to that of the brewing division. Over the years—1956 through 1962—Yeast and Corn Products accounted for between 12 to 15 per cent of the company's total sales and earnings.

What I have said up to now relates to the dollar-and-cents figures of our operation. They really represent machinery, brick, steel, mortar, plaster and concrete. They relate to the most up-to-date computers

... electronic devices and mechanical things that help us to keep the cost of our products in line with other increases over which we have very little control.

We know that electronic machines can do a lot of wonderful and exciting things.

But It Still Takes People

But we also know that, in our business at least, it takes people ... to translate what we are doing into our customers' interests, our customers' problems, purposes and successes.

Let me put it in a slightly different way.

Our company spends many millions of dollars each year in advertising and sales promotion. But, we have never had the notion that the success of our company is in the pictures, the materials or the promotional aids which our people develop.

I believe our staff does an outstanding job in this respect—in fact, one of the best. But our competitors can buy the same machines. They can acquire the same artwork. Our competitors can come up with beautiful packages. And they can develop new and efficient methods of producing things.

What I am trying to say is, we don't have a corner on the market of tools or ideas ... or even hard work!

Personal Contact A Basic Ingredient

We have felt, instead, that one of our most important ingredients is holding on to the personal contact with our wholesale and retail customers. We believe that sharing our knowledge and our experience with the people with whom we do business, is of the utmost importance.

Anheuser-Busch is a leader in the brewing industry. That is a fact proved by the figures. Being a leader in anything is difficult enough. But, being a leader in the brewing industry is even tougher than most others. I can testify to that fact.

There are very few industries of which I am aware, in which the competition is more keen ... or the race for the consumer's favor and dollar more exacting than ours.

Does Everyone Love A Winner?

Some people say ... and believe—"The whole world loves a winner."

Well, we don't subscribe to that belief at all!

It's wonderful to be a winner—I don't want to be misunderstood about that—and we are certainly going to fight to stay on top.

But, so far as we can see, the only one who really loves a winner is the winner, himself! I suppose I should include the people who make money off the winner—or bet on him.

Everybody else seems to get a great delight out of taking potshots at the winner. Or they devote their entire energies in an attempt to trade places with the winner.

Leadership No Guarantee Of Security

Being a leader has not given us—at Anheuser-Busch, at least—any sense of permanent security. Leadership, however, has served to make us continually examine our operations. We examine them in even greater depth than we had before. And we seek out every possible means of improving our operation and our business.

There have been a number of analyses by research groups that forecast the future growth of our nation. In the 1960's, it is predicted, we will have a substantial increase of people in the 21-to-60 year group.

Obviously, this increase could be very important to the brewing industry. The so-called “heavy” beer drinkers are generally in this age category of our population.

Population Growth No Guarantee

I don't believe, however, that the population growth is any guarantee of automatic growth of the brewing industry.

During the past 10 years, the population of the United States grew 19 per cent. The sales of the brewing industry grew only a little over 6 per cent.

Of course, it is a very comforting thought to feel that sales and profits will automatically follow an increase in the population or in our per capita wealth. If we followed that thought, we wouldn't have to worry too much about the future.

We could talk ourselves into the belief that people will continue to buy our products in increasing quantities. We could even convince ourselves that this

automatic growth should cause us less concern and less thinking, less planning and less action.

Such thoughts could probably be more satisfying and very comforting. *But we happen to believe that to follow this logic would also be to follow the road to economic disaster and possible bankruptcy!*

We just don't happen to believe that there is anything automatic about growth or expansion. You have to think about growth . . . You have to plan for it . . . You have to fight for it . . . And sometimes you have to take off the rose-colored glasses to achieve it.

Anheuser-Busch's Changed Picture

Our own picture at Anheuser-Busch is changing as a result of this philosophy. For example, in 1955, we introduced a new popular-priced beer on the market—Busch Bavarian. We did not introduce Busch Bavarian because we thought there was an eager and automatic market waiting for this new beer. Nor did we believe that customers would break the doors down trying to buy it.

The fact is, there hadn't been a new beer successfully introduced in over a quarter of a century! *And we knew it.*

But, our continuing research and our studies began to tell us that the marketing of such a product was essential to our future growth and to our future earnings. It did the same thing in the case of Michelob, our world-famous finest of all beers.

Experiment and Research

For five years we experimented and researched the possibility of packaging Michelob in bottles. This wasn't just a case of wanting to bottle our famous draught beer. It was due to our belief that there was a growing potential market for Michelob in the home . . . and on the dining room tables of our finest restaurants and bars where draught beer was a problem.

Busch Bavarian, in the past seven years, has grown from test marketing in the state of Kansas and in Kansas City, Missouri. It is now being distributed by more than 300 wholesalers, by three Anheuser-Busch branches . . . in 85 marketing areas . . . covering 20 states.

In 1962, we introduced bottled Michelob for the first time, chiefly in the St. Louis area. From the very beginning, the sale and acceptance of Michelob in bottles have been very satisfactory. As our production facilities expand, we intend to open new markets for both Busch Bavarian and Michelob.

Budweiser is our lifeline, our main product. It continues to be exactly that. But it is no longer our only product, and Anheuser-Busch is no longer a one-brand company.

We are now prepared to meet every pocketbook and every taste.

This is what I mean when I say that Anheuser-Busch does not assume there is such a thing as automatic growth or automatic development, particularly in the industry we know best—the brewing industry.

To Maintain Leadership...

Throughout the years we have used every device known to us to maintain our position of leadership in the industry.

We pioneered in mechanical refrigeration and pasteurization so we could ship our beers to wider areas.

We pioneered in many of the latest mass production and automation methods to help keep down production costs.

We install new and more efficient manufacturing methods wherever possible on a continuous basis.

We have revised our sales and distribution and marketing divisions as often as we believe necessary to benefit our sales. Our marketing philosophy means the complete coordination of our sales, advertising, merchandising, sales promotion—and every other department and group engaged in getting our products to the ultimate consumer. We all work together to achieve our common goals.

We have built plants in areas closer to the mass markets. We have modernized our present facilities and brought them up to date with an outlay of millions of dollars.

We have engaged in multimillion-dollar advertising and sales promotion programs that take place at both local and national levels. We try to help increase our own sales and also the per capita consumption of beer. Our Pick-A-Pair promotion reached some

kind of new high in advertising and promotion. It resulted in the sale of 31 million 6-packs of Budweiser last year.

Money-Manpower-Brains

In short, Anheuser-Busch has tried, through the expenditure of money, through the utilization of the best manpower and the employment of the best brains available to us . . . to explore just about every field of activity affecting our future.

We are perfectly aware of the fact that leadership in our industry doesn't come just for the asking.

We hope that by our activity and by our operations, we can continue to demonstrate the fact that teamwork, at least as we apply it, is more than just a useful term. We try to prove that teamwork, for us, is a reality of everyday business life with which we must live.

And Something Extra . . .

Now, I'd like to return to the desirability of a company doing something extra in the general public's interest . . . and make a profit while doing it.

The motion picture* you are about to see is a reflection of this philosophy. By way of preface, let me tell you that some years ago we discovered an interest on the part of many groups in St. Louis to visit Grant's Farm.

Grant's Farm is about a 270-acre wooded tract which contains the home built by my father many years ago. Grant's Farm contains the cabin from which President Ulysses S. Grant operated his not-too-successful businesses.

From this small beginning of a relatively few visitors—Grant's Farm has become a major tourist attraction in the St. Louis area. Anheuser-Busch now provides four trains which take people on tours of the area for seven months of the year. There are many unique innovations at Grant's Farm, all dealing with animals in nature.

Children can roam through parts of the area, feeding tame deer, sheep, goats, llamas, from their hands.

*This new film on Busch Gardens is available free except for nominal transportation charge upon request by writing Modern Talking Pictures Service, 3 East 54th Street, New York 22, N.Y.

Last year approximately 200,000 people toured Grant's Farm.

Busch Gardens At Tampa and Los Angeles

So, when we opened our new brewery in Tampa, Florida, we decided to do more than just build another brewery in that state. We decided to make the entire area attractive and to encourage people to come to the brewery to see how we made our beer ... and at the same time—to enjoy themselves.

I will not elaborate on what we have done at Tampa, because the film speaks for itself.

Busch Gardens is now one of the leading tourist attractions in Florida. Its success caused us to think about doing something about the property surrounding our plant in the San Fernando Valley in Los Angeles, California.

After considerable planning, we recently announced a new \$3 million Busch Gardens development to be constructed in Los Angeles. This exciting project will get under way in a very short time. It calls for a man-made wonderland of lagoons, forests, waterfalls, rare birds, a skyrail tour and a boat tour of what we hope will be a spectacular development.

There are, of course, some who may question the advisability of expenditures by an industrial concern for these purposes. I believe the film you are about to see answers the challenge.

But the biggest answer is, of course, what it does for our business.

I can sum that up in a very few words. ***BUSINESS IS FINE!***

